

Nonferrous

CC DWT
Rowley file
*m/45/022
Knoll file
ms

Creditors said unhappy with Magcorp bid

NEW YORK — Magnesium Corp. of America (Magcorp), Salt Lake City, Utah, awaited a bankruptcy court decision Tuesday on a nearly \$24-million bid from U.S. Magnesium LLC (U.S. Mag) for the company's operating assets—an offer that apparently doesn't sit well with the company's creditors.

The bid, if approved by the U.S. Bankruptcy Court for the Southern District of New York, would effectively bring the company full circle as it would emerge from Chapter 11 still under the control of the Renco Group, which is substantially owned and/or controlled by Ira Rennert.

Renco Group formed U.S. Mag specifically for the purpose of "pursuing a transaction for the purchase of Magcorp," according to court documents.

An extension of the court ruling until mid-July reportedly is being sought by Peter J. Solomon, the investment-banking firm representing the company's creditors committee. P.J. Solomon could not be reached for comment late Tuesday.

P.J. Solomon reportedly is looking to pull together a competing offer, one that would provide for the company's bondholders, who appear would be left holding the bag, or rather bonds—\$150 million worth plus \$4 million in trade claims—if the current bid is approved, an observer said.

P.J. Solomon has objected repeatedly to funding sourced from Rennert and his affiliates. It had been charged with securing funds

for Magcorp and seeking partners to fund a plan of reorganization, according to an affidavit filed with the court on behalf of Michael H. Legge, Magcorp's president and chief executive officer.

The U.S. Mag bid includes the assumption of Magcorp's debtor-in-possession (DIP) financing facility, the assumption of certain liabilities and taking on all of the company's employees, excluding the 85 laid off previously with the implementation of cost-reduction programs, the court papers said.

P.J. Solomon has objected repeatedly to funding sourced from Rennert and his affiliates.

The "363 sale," as it is termed under the U.S. Bankruptcy Code, basically allows the assets to be sold virtually free and clear of all liens and liabilities, although the successful bidder would still have environmental obligations from Magcorp's past actions.

The successful bidder "would be liable for complying with (Magcorp's) environmental obligations and would continue to take steps to comply," a spokesman for Chadbourne & Parke LLP, counsel for the debtors and debtors in possession, told AMM. However, this would not necessarily mean the bidder would be required to perform remedial action, the spokesman added, noting that this issue had yet to be resolved.

Two bids emerged, the other from Madeleine LLC, an affiliate of Cerberus Capital Management LP, but after five or six rounds of competitive bidding Madeleine's offer was ruled out because the company "was unwilling to guarantee certain obligations of Magcorp and was unwilling to assume certain insurance obligations," the Chadbourne & Parke spokesman said.

A bid deemed "unsuitable" also had been tendered by Desert Power LLC, which is embroiled in a property dispute with Magcorp that involves a \$40-million mechanic's lien on Magcorp's real property. The dispute revolves around ownership of the real estate upon which Desert Power built a power generation facility adjacent to Magcorp's production facility.

According to the court papers, other bidders included Ramius Capital Group LLC and Canada's Trilon Bancorp Inc., a subsidiary of Trilon Financial Corp., which is a unit of Brascan Corp.

One reason for an apparent lack of suitable bidders stemmed from the uncertainty involved with the exact monetary value of Magcorp's environmental obligations in Utah, which has not been released by the U.S. Environmental Protection Agency, according to a market source.

Magcorp and parent Renco Metals Inc., a division of Renco Group, filed for Chapter 11 protection on Aug. 3, 2001 (AMM.com, Aug. 6).

Aluminum premiums hold line as scrap supply remains tight

NEW YORK — Aluminum premiums held the 5-cent-a-pound upper line this week as dealers said positive economic data continued to buoy the market.

"Everyone is a bit surprised that it keeps holding on," one dealer said, adding that consumer spending along with healthy auto sales and a strong housing sector was keeping the premium up.

Dealers put the Midwest premium at between 4.75 and 5 cents a pound, although one trader said he had seen metal go to the West Coast for about a 7-cent premium, partly the result of all the idled capacity in the Pacific Northwest plus the more recent cuts in shipments from Australia to the West Coast.

"They are sending more metal to Japan," the dealer said. "The premiums have been on the rise in Japan."

Rail freight costs also are sending shock waves throughout the West. "People are paying 2 cents extra on top of premiums for the shipment charges," one dealer said.

Tightness in the scrap market also continues to be a factor in keeping premiums high. "It started to lighten up a bit but then I have been hearing that extruders aren't seeing scrap freeing up at all," the dealer said.

Other dealers agreed, saying that everyone was anticipating a freer flow of scrap. "If scrap is loosening up it has not changed all that much because the buyers' need for the primary metal is still pretty strong," one said.

As the metals industry heads into the summer, dealers said it wouldn't be as quiet as normal, with buyers' appetites for prime metal likely to continue into the fall.

Alison Guerniere

aguerniere@amm.com

Intermet to supply magnesium IP beams

DETROIT — General Motors Corp. has picked Intermet Corp., Troy, Mich., to supply magnesium instrument panel (IP) support beams for its new Cadillac SRX crossover vehicles beginning next year.

Magnesium die-casting alloy beat out steel and plastic for the new beams. Intermet got the call to make the light metallic beams based on its bid and standing with Cadillac in previous IP beam programs, GM sources here said.

Intermet will make the magnesium IP beams as two-piece assemblies, with each beam made up of two die castings joined by adhesive bonding, according to GM sources. Intermet, which is the largest supplier of two-piece magnesium beams in North America, will perform the die casting and assembling operations on the SRX units at its plant in Hannibal, Mo.

Since 1997, when Cadillac specified the use of assembled magnesium IP beams in one of its car lines for the first time, GM's luxury vehicle division has become the biggest user of the two-piece beams in the auto industry. GM sources recalled that the first installation occurred in 1999 in the Cadillac DeVille.

Most magnesium beams are made as one-piece die castings. The components, which are among the largest automotive applications for magnesium globally, stretch from the A-pillar on the left side of a vehicle across the vehicle in front of the driver, under the windshield, to the A-pillar on the right side. The North American auto industry is the biggest user of such beams in the world. The IP beams represent one of the biggest markets for structural magnesium casting alloys in the world.

Making an IP beam in two pieces enables conventional, medium-size die-casting machines to be used to turn out the lightweight components. Larger, costlier machines are required to produce the one-piece units. Either way, magnesium beams generally weigh anywhere from 14 to 30 pounds, depending on vehicle size, between one-half and one-third the weight of steel beams. Nevertheless, through the first half of the 1990s steel was the material almost always specified for IP beams.

Al Wrigley

ammnet@aol.com

MARKET PRICES

Prices are in \$/lb except as otherwise noted; bold face indicates price has changed today.

	June 4	June 3	Took Effect	Prior Price
Copper—wirebar	90.35	89.25	06/03/02	88.15
AMM copper cathode	82.00	81.00	06/03/02	80.00
Comex copper settlement	78.35	77.25	06/03/02	76.15
No. 2 copper scrap	64.00*	62.50*	06/03/02	63.50*
Lead	45.00	45.00	11/05/98	48.00
US secondary lead	28.00-29.00	28.00-29.00	10/06/99	48.00-52.00
Silver — per troy oz.				
Handy & Harman	514.50	511.00	06/03/02	505.50
SHG zinc, spot	39.57-40.07	39.57-40.07	05/31/02	39.84-40.34
No. 1 steel scrap				
Pitts. (gross tons)	110.00-111.00	110.00-111.00	05/01/02	100.00-101.00

* Nominal for spot sales
(a) Appraisal price

www.amm.com

Swiss gold sales reach 523.6 tonnes

NEW YORK — The Swiss National Bank sold 11.1 tonnes of gold in the 10 days ended May 31, the central bank's regular statistics report showed Monday, bringing total gold sales to around 523.6 tons since the beginning of the program in May 2000 to sell 1,300 tons of surplus reserves.

AMERICAN METAL MARKET

JUNE 5, 2002 4

000919